

**CALIFORNIA ENERGY COMMISSION
MAY REVISE PROPOSAL
FY 2009-10**

American Recovery and Reinvestment Act: State Energy Program

A. Nature of Request

This proposal requests federal fund expenditure authority for \$226,093,000 consisting of nine, two-year limited-term positions, \$1,000,000 for technical support, \$6,782,790 for monitoring, verification and evaluation (MV&E), \$100,000 for travel, and \$217,113,000 for authorized projects and activities to implement the State Energy Program (SEP), as authorized under the American Recovery and Reinvestment Act of 2009 Pub. L. 111-5 (ARRA or the Act). This proposal will be funded by the State Energy Program.

Using the information in the Act, the Energy Commission will administer \$226,093,000 from the State Energy Program with a three (3) year performance period, providing grants, technical support and monitoring and verification activities. Nine limited-term positions, technical support funds, and monitoring, evaluation and verification contract funds, are needed to develop, implement and administer the program. These resources are needed to implement the program based on the special terms and conditions outlined in the Program Guidance of the Act.

B. Background/History

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 which provided funding to the State Energy Program for Federal Fiscal Year 2009 at \$3.1 Billion. This bill was an omnibus bill that addressed a variety of subjects and sectors of the economy.

These funds will allow eligible entities to implement a variety of projects and activities and are intended to:

- preserve and create jobs;
- increase energy efficiency to reduce costs and consumption for consumers;
- businesses and government, reduce reliance on imported energy,
- improve the reliability of electricity and fuel supply and the delivery of energy services; and
- reduce the impacts of energy production and use on the environment.

This program will provide critical financial resources that will assist in reducing energy costs and in complying with state emission reduction goals while at the same time meeting ARRA objectives. Federal direction includes quarterly reporting on how and for what funds are expended, as well as conditions that

later tranches of funding depend on how effectively the initial funding allocations are used.

The overall program funding is based on SEP Recovery Act Program Guidance. The total allocation for all states in the United States is \$3,069,000,000. California's share is \$226,093,000.

Existing Commission programs are available to local governments and public agencies. As such, there is a good match and synergy between the target audience of our existing programs and the new federal grant program. The Energy Commission's technical assistance program could initially provide engineering and other expert consultants to help identify and evaluate energy saving opportunities in local government facilities. Since the existing programs also serve customers not eligible for the federal grants, such as K12 schools, hospitals and colleges, special districts and public care facilities, existing staff will continue to assist these customers while new staff implements the federal grant program.

Under the guidelines of the SEP, the Commission has identified three broad funding categories: 1) commercial building energy efficiency, 2) residential building energy efficiency, and, 3) green workforce development. Within the commercial building energy efficiency category, the Commission anticipates partnering with the Department of General Services to establish an Energy Efficiency State Property Revolving Loan Program to conduct energy efficiency retrofits on existing state buildings in California. The Commission will conduct stakeholder meetings to further define and develop the funding categories.

As the federal funds will be available in 2009, the Commission plans to use existing staff to develop the program plan required to be submitted to DOE. The nine limited-term positions will be responsible for carrying out the resulting activities, developing guidelines and proposals, and providing program monitoring. Based on estimates of 100 to 200 agreements and sub-agreements under this federal program as well as the requirement for extensive monitoring, verification and evaluation, the additional workload cannot be absorbed with the resources currently available.

C. State Level Considerations

The federal government has identified the Commission to receive the State Energy Program Formula Grants and provide them to sub-recipients to stimulate the economy and create and retain jobs. The federal government has also identified the Commission as the entity responsible for ensuring appropriate use of this ARRA funding. This proposal will ensure that funds received from the Act flow to eligible entities in an expeditious manner and in compliance with federal requirements.

D. Facility/Capital Outlay Considerations

The Energy Commission will be required to procure additional office space and/or reconfigure existing space to accommodate the positions requested in this proposal. Funding is included in the Facilities Operation line item in the Fiscal Detail section of this proposal.

E. Justification

Funds allocated to and received by the state pursuant to the American Recovery and Reinvestment Act of 2009 shall be administered by the Commission. This program is consistent with the Energy Commission's Integrated Energy Policy Report (IEPR) which identifies energy efficiency as first in the priority order for meeting the state's energy requirement. This change is also consistent with the state's mandate to reduce greenhouse gas emissions.

Resources being requested will be used to implement the State Energy Program as authorized by the Act. This includes:

- Conducting outreach and marketing to the designated eligible organizations;
- Providing technical support and guidance to applicants to maximize and ensure that projects are reasonable and cost effective;
- Conducting monitoring, verification and evaluation efforts to quantify energy consumption, energy savings;
- Verification activities to ensure that the funding is being used as intended and that project installation is proceeding at an acceptable schedule; and
- Processing the individual applications, coordinating with DOE and the State Controller's Office to issue contracts, grants and loans and process payments.

The proposed positions will perform the following duties. See Attachment A, Workload Standards, for specific task detail.

One - Energy Commission Specialist III – The Energy Specialist III will be the lead person responsible for interacting with DOE, the funding agency. This individual will direct program staff in carrying out their technical, administrative and marketing responsibilities; preparing detailed programmatic materials; securing resources; interfacing with management; developing and reviewing solicitation packages; scoring project proposals; and preparing required quarterly reports to document energy efficiency benefits and savings, and job creation.

One – Senior Mechanical Engineer -This position will supervise, provide and coordinate technical support in directing program staff in carrying out their technical responsibilities; providing engineering expertise and oversight for

technical work, and leading and coordinating all pre- and post-installation monitoring and verification activities. The Senior Mechanical Engineer will be the prime contact with the grant applicant's engineering and technical personnel, and will serve as lead for in-house engineering staff.

One – Associate Mechanical Engineer – Will work with program staff to provide engineering review of more complex applications, and in-field engineering verification of project progress and impacts. The Associate Mechanical Engineer will be responsible for in-field review of projects involving changes to building energy management systems and controls, HVAC system upgrades and modifications, and large building commissioning.

One -Energy Commission Specialist II – The Energy Commission Specialist II will provide expert technical guidance and oversight to eligible entities as they develop their individual grant applications, and conduct one-on-one meetings with industry and affected stakeholders. This individual will evaluate the more complex grant applications and be the prime contact with the applicant's administrative personnel.

Two – Energy Commission Specialist I – The two Energy Commission Specialist I's will be responsible for the evaluation of the program through the development and implementation of evaluation, monitoring and verification plans, and develop criteria for and establish databases to monitor fiscal, job creation, and energy saving status of projects. These staff will provide data to support DOE and others, and recommend changes in strategies, as appropriate. Staff will also assist with grant application review, completion and project monitoring/assistance.

One – Staff Programmer Analyst – This position will be responsible for developing and maintaining a project tracking and reporting database to assist staff in managing and tracking SEP funded projects. The project tracking system will monitor project status, funds encumbered, funds expended and also collect project metrics, such as jobs created, energy savings, emission reductions, and funds leveraged. The Staff Programmer Analyst will modify an existing project management system to enable it to meet the extensive monitoring and reporting requirements established by DOE.

One- Staff Counsel - The Staff Counsel will assist staff in developing contract and grant award agreements. Staff Counsel will review federal guideline to ensure funding agreements fulfill federal requirements, and assist staff in negotiating funding agreement terms with funding recipients.

One – Office Technician – This position will be responsible for providing clerical and administrative support to the program and staff, and update program databases.

There are a number of areas in which we anticipate additional expertise and effort will be necessary.

- The federal program encourages “leveraging” use of the SEP funds. We anticipate that it may be necessary to employ financial advisors and bond

counsel, to assist in developing local ability to leverage and lend this funding.

- We anticipate the need to contract for technical assistance to evaluate facilities for retrofit potential and to evaluate unconventional retrofit proposals, for their economic feasibility. The contractor may also be needed to assist during peak workload times when existing and new staff are unable to address the workload demands of a \$223.8 million federal contract and grant program.
- We anticipate the need to work with community-based organizations to coordinate efforts between local jurisdictions. They offer a cost-effective venue for improving efficiency of program delivery, through inter-jurisdictional collaboration.

Monitoring, verification and evaluation (MV&E) funding is essential to provide expertise to assist in the implementation and success of the program. The Act requires stringent and comprehensive MV&E. The Energy Commission estimates that 3% of SEP funds, \$6,782,790, will be necessary for MV&E. The program will use LT staff to augment the contractor's monitoring and verification activities. The focus of the contract will be program impact evaluations, and analysis of verification findings.

The absence of these additional resources for technical assistance and MV&E efforts would preclude the Commission from implementing the program in the time period allowed and producing the mandatory quarterly progress reports to adhere to the transparency and oversight requirements detailed in the Act. Failure of the Energy Commission to sufficiently demonstrate results of the Program will jeopardize the amount of SEP funds provided to California.

F. Outcomes and Accountability

The American Recovery and Reinvestment Act of 2009 serves as the basis for this budget change proposal. The Act is consistent with the 2007 IEPR. If this proposal is approved, we would use the Energy Commission Workplan process to develop and manage the overall program.

- *What is the hiring plan for the positions, if any, being requested?*

Hiring will be carried out using the current personnel process. Job opportunity notices will be released to existing classification lists. Prospective hires will be interviewed, evaluated, and selected on the basis of their training, experience, and performance in the interview.

- *What measures will be taken to ensure that outcomes identified in the BCP are achieved?*

In the workplan process we identify and develop measures for successful program outcomes in order to track and monitor the progress of individual

activities in achieving those outcomes. These measures of success would be the same as those for the BCP outcomes. Additionally, the American Recovery and Reinvestment Act of 2009 requires the Energy Commission to submit to US DOE quarterly reports that describe the status of the program, the number of jobs preserved or created, energy savings, and energy efficiency gains achieved through the program.

- *What controls will be in place to ensure the appropriate use of the requested resources or authority?*

Authorized positions will be established in the specific divisions/offices responsible for the work authorized in this proposal. Annually, the Energy Commission prepares detailed workplans and allocations of authorized funds. The Energy Commission's fiscal year 2009-10 Workplans will identify BCP-specific contract resources only available for expenditure to perform specific work identified and described in the Nature of Request and Justification sections of this proposal.

- *How will the requested resources be accounted for and monitored?*

Newly authorized positions will be established in the appropriate program/element and office, and expenditures will be accounted for under unique accounting units and California State Accounting and Reporting System (CALSTARS) program cost accounts (PCA). Allocation and encumbrance of authorized contract resources will be recorded in the fiscal office's contract database. Program staff will develop and execute the contract, ensuring the work statement, tasks, and deliverables are consistent with the approved proposal. Once executed, the ongoing contract management and monitoring for compliance will be performed by assigned program contract managers.

- *Will there be progress and/or outcome reports completed? If so, how often and to whom will they be distributed?*

The US DOE also requires quarterly reports to document the status of the program. Staff performance and program progress is routinely monitored by periodic internal Workplan reports as part of the overall Workplan process and reported to Energy Commission management.

G. Analysis of All Feasible Alternatives

1. Do Nothing

This is not a viable alternative, as there is existing law that mandates the Energy Commission to implement the provisions of the program. Doing nothing would not provide the program funding authority or provide the resources necessary to implement the program and California would lose the opportunity to sustain and create green jobs during these difficult economic times.

2. Fund this Proposal

This proposal would be funded by the federal State Energy Program authorized under the Act. The grant funds received will allow the Energy Commission to carry out its obligations to properly assess and provide grants to eligible applicants. Without staffing and contract funding, the Energy Commission will be unable to implement and fulfill the terms and conditions of the SEP as required by the Act.

H. **Timetable**

| Activity | (Month & Year) |
|---|---------------------------|
| <i>Pre BCP period</i> | |
| Develop program strategy, etc. | Spring 2009 |
| Prepare and submit the plan application to DOE. | March 26, 2009 |
| <i>BCP Period</i> | |
| Receive DOE approval on program. | Anticipated July 2009 |
| Hire staff. | July - August 2009 |
| Post/Issue grant and contract application packages. | July – September 2009 |
| Evaluate proposals. | October 2009 – ongoing |
| Make program funding awards at appropriate business meetings. | November 2009-ongoing |
| Publish case studies and quarterly program reports and updates. | Ongoing |

I. **Recommendation**

The recommended alternative is number 2 – to approve federal project funding authority and to provide staff and operating funds needed for the Energy Commission to successfully implement the State Energy Program Formula Grants Program as directed by the Act. Technical support, contracts, grants and staff will be funded by the grant.

J. Environmental Protection Indicators for CA (EPIC) Impacts

This proposal will have overall benefits to the environmental indicators for air quality, green house gas emissions reductions, energy security, fuel diversity, and toxic air contaminants, since the programs will result in the implementation of energy efficiency strategies.